CANADA'S FISHERIES TRADE WITH JAPAN

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I welcome the opportunity of speaking to you on Canada's fisheries trade with Japan and its importance to Nova Scotia.

It is a relationship based on complementarity and mutual benefits for our respective fishing industries. Canada's status as the world's second largest exporter of fish products and Japan's position as the world's largest consumer of seafood are indicative of the complementarity of our interests. Canada has been a reliable supplier of various marine species to Japan - currently we are Japan's seventh largest world supplier. Japan has been an important and growing market for Canadian fish products such as herring roe, Pacific salmon, capelin, crab, lobster, shrimp and most recently sea urchins and surf clams or hokkigai. Nova Scotia has provided many of these exports. Japan is our second largest market for fish products after the United States. It accounts for more than twenty per cent of our exports. For several species, it represents the only market available to Canada (e.g. Pacific salted herring roe or kazunoko and Newfoundland capelin or shishamo). In recent years the value of Canada's fisheries exports to Japan has been in the area of half a billion dollars. For its part, Japan's exports to Canada are much smaller - totalling some $13 million in 1991 - and concentrated in such areas as canned tuna, seaweed and oysters.

Seafood products are Nova Scotia's largest export item and comprise about one-third of its total exports. In 1991, Nova Scotia exported fish and shellfish valued at over $700 million, of which $450 million went to the U.S.A., $156 million to the European Community and almost $75 million to Japan. Exports to Japan included $19 million of frozen crab, $17 million of live and frozen lobster, $11 million of frozen herring roe, $7.4 million of surf clams, $4.2 million of fresh bluefin tuna, and $3.4 million of frozen shrimp.

Canada's competitive strength in seafood trade reflects emphasis on innovative and high-quality products, as well as Canada's access to one of the world's richest and most diversified resource bases. The diversity of species and products available is related to the distinct features of Canada's Atlantic, Pacific, freshwater and aquaculture fisheries.

The Atlantic fishery consists of two harvesting sectors. The offshore fleet numbers about 200 highly capital-intensive trawlers operating year-round. The high quality of landed fish is achieved by immediate bleeding, gutting and ice storage. More than 30,000 smaller vessels conduct seasonal midwater and inshore fisheries. The high quality of the catch in this sector is ensured by daily landings. In addition, superior quality techniques such as longlining and jigging are used extensively, contributing further to already high standards.

I would like to briefly review the current fisheries supply/demand balance. In broad terms, the outlook for the Atlantic fishing industry in 1993 is mixed: for crustaceans, resources and markets are good; for pelagics, resources are good, but markets are soft; and for groundfish, resources are down but markets are generally good, except for soft markets for redfish.

For crustaceans, lobster has been a good news story where total landings have almost doubled over the past decade. There have been significant, steady increases in all major areas. These increases have coincided with the growth in the Japanese market for Canadian lobster in recent years. This development was particularly welcome when Canada was encountering market access problems in the U.S. due to size restrictions on imports of lobster. Total catches of shrimp are at record levels, with major growth in the Gulf of St. Lawrence and off Labrador. Snow crab has been more variable, with total catches below the high levels of the 1980's, but favourable compared to other periods. Among the pelagics, the herring and the mackerel resources are stable or increasing in all areas and landings could be increased if markets could support them.

The area of greatest concern for 1993 is groundfish. The outlook is for continued decline in most stocks. In the Scotia-Fundy region, the worst news relates to cod, with major reductions in the Total Allowable Catches expected in Sydney Bight, the Scotian

Shelf and Georges Bank. Pollock, haddock and redfish TACs may also be adjusted. The TAC for silver hake is expected to be reduced, but to a level higher than catches this year.

We are all aware of the current crisis in Canada's northern cod fishery. On July 2 of this year, the Minister of Fisheries and Oceans, the Honourable John Crosbie, announced a two-year moratorium for the northern cod fishery (2J3KL cod) which will continue until the spring of 1994. The social and economic hardship to traditional fishing communities in Atlantic Canada, in particular in Newfoundland, has been profound. Alternative fishing opportunities have had to be made available for Canadians through the Developmental Fisheries Program for silver hake, Greenland halibut and other species by reducing corresponding allocations to other nations. These underutilized species had not been actively exploited by Canadians in the past.

In the last decade, there has been a tremendous growth in Japanese imports of fish and marine products with particularly strong growth in high-value species. Canada enjoys about a five per cent share of Japanese seafood imports. With Canada's diversity of species, we are well positioned to cater to the large and growing Japanese demand for fish and seafood.

The Japanese market will continue to be important as Canada develops these previously underutilized species. The fact that Japan buys many non-traditional fisheries products for which few other markets are available has given Canada an opportunity to develop hitherto virtually untapped fisheries resources. There is scope for further development of species such as silver hake, mackerel, surf clams, sea urchins, and various crabs. The development of many of these species has been particularly important to the Nova Scotia economy as well as to Atlantic Canada in general.

We know that the Japanese market for fisheries products is in transition: from one led by the demand for primary commodities to one driven by the demand for value added and further processed products. In 1987, a Newfoundland-based company, Fishery Products International, working closely with one of Japan's large seafood companies, Nichiro, began marketing a line of prepared seafood dinners specifically for the Japanese consumer market. In addition, cod and sole products were developed for restaurants and catering institutions. Clearwater Fine Foods of Nova Scotia has also been in the forefront in exporting value added and branded seafood products to Japan.

One such value-added product is surimi. Canadian exports of surimi to Japan were about $5 million in both 1990 and 1991. Surimi is an intermediate seafood product which is not consumed

directly, but is used to manufacture finished consumer products such as seafood flavoured analogs. In Japan, these analogs are known as kamaboko and chikuwa -- fish ham and sausage but imitation crab legs, scallop and lobster are also produced. Japan has been experimenting with species such as Atlantic silver hake for use in surimi. Silver hake allocated to Japan in Canadian waters has been used to conduct some of this research which is shared with Canadian companies.

The processing of seafood products is specialized in Japan. Tastes and product preferences have evolved over many years and there are countless methods and technologies in use. During recent decades, Japanese fish processors have dispatched technicians to many countries to secure suitable raw fish supplies for processing in Japan. Due to tight labour and high processing costs in Japan, there has been a recent move by these processors to shift production to countries which formerly supplied raw materials. This production shift requires a transfer of technology and methods from Japan to processors in Canada and other countries.

Dramatic changes have taken place in our respective economies, forcing entrepreneurs to re-evaluate their business strategies. These changes are the result of "globalization" - the integration and merging of national economies as a result of trans-national activities of firms. Globalization is driven by

technological change, continued long-term growth in foreign investment, international sourcing of materials and the recent creation of international links between firms and countries. Canadian fisheries exporters to Japan are firms with world-class capabilities to produce the highest quality products for export markets. Small and medium-sized companies are also among these exporters. Smaller firms have a definite competitive advantage in their size because they can identify and carve niches in the market. Canadian companies are not only striving

to expand current exports to Japan. They are also seeking to increase the amount of value added in their exports and develop new distribution networks. Canadian companies are pursuing opportunities for mutually beneficial partnerships with companies in Japan and other countries through joint ventures or strategic alliances, investment, technology transfers, shared research and development, co-production and co-promotion. These are the areas which Canadians must pursue if we are to ensure continued growth. The Canadian Government, through the Departments of Fisheries and Oceans, External Affairs and International Trade, and Industry, Science and Technology, in concert with provincial governments, has facilitated the pursuit of these avenues by mounting industry missions to Japan, bringing Japanese fish buyers and retailers to Canada, holding seminars and workshops on non-traditional species, promoting Canadian seafood and hosting receptions which feature displays of both traditional and non-traditional species.

The federal government has also encouraged industry to promote its products on a generic basis. A number of associations have been formed including the Canadian Atlantic Lobster Promotion Association and the Canadian Hokkigai Exporters Association.

During his visit to Japan last January, Minister Crosbie led a successful mission of ten major Canadian fish exporters to promote seafood exports with particular emphasis on underutilized species. He also met with the Japanese Minister of Agriculture, Forestry, and Fisheries, Masami Tanabu, to encourage broader liberalization of the Japanese import regime for fish products, which until recently had been subject to quantitative restrictions similar to those for agricultural imports.

Because the overriding Canadian objective in fisheries trade relations with Japan has been to increase the volume and value of our seafood exports, we have worked hard to obtain improved access for products facing quota and tariff barriers. The import quota system in Japan is designed primarily to protect domestic small-scale fishermen and maintain a stable demand and supply situation. Canadian seafood subject to quotas include herring, mackerel, cod, scallops, squid and seaweed. During negotiations in 1988, Japan agreed that Canadian exports of herring, mackerel and cod would not be impeded by the import quota system by steadily increasing the quota levels and allowing new Japanese importers to obtain import licences. Since that time, there has

been an improvement in the terms of access for these products in Japan.

To ensure the success of exports, we must have a free and open trading environment. The central theme of Canadian trade policy is to reduce the barriers among us, to equip our industries and our people to participate more effectively in the world economy on a competitive basis and to generate growth.

In the Uruguay Round of Multilateral Trade Negotiations under the GATT which are expected to conclude shortly, Canada has sought, as part of the final trade package, major market access liberalization for fish products to move world trade in this sector towards more market-based principles. Our proposal for a "zero-for-zero" formula on fish products, subject to reciprocity, has been found too rich to digest by major importing countries.

However, Canada welcomes Japan's seafood tariff reduction offer in the Uruguay Round which is based on a 30 per cent cut on a large number of frozen and prepared products. Canada has encouraged Japan to make additional trade concessions that would see the binding of all its fish tariffs against increase and the phasing out of its import quota system.

Secular trends in Japan are likely to reinforce the move towards such developments. These include increasing demand for imports on the part of Japanese processing companies as they experience labour shortage problems in their plants and declining supplies from the Japanese high seas fishing fleets which are facing catch limitations under newly-negotiated international conservation regimes. There is also mounting consumer demand for imported convenience foods such as microwavable ready-to-eat fish portions and dinners.

In summary, Canada and Japan enjoy a complementary fisheries trading relationship which is vitally important to Canadian fishermen and processors, especially in Nova Scotia. This relationship is certainly bound to steadily expand as Canadian exporters tailor their products to the highly quality-conscious demands of the Japanese market and as domestic restructuring and adjustments in the Japanese fishing industry lead to a more open import system. Current resource constraints in the Canadian cod fishery may also stimulate a greater exploitation of hitherto underutilized species for subsequent promotion in the Japanese market.